

Message Text

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ACTION IO-14

INFO OCT-01 NEA-10 ISO-00 HA-05 CA-01 AID-05 ABF-01
OMB-01 TRSE-00 SSO-00 /038 W
-----089208 021736Z /43
O 021410Z MAR 78
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC IMMEDIATE 6958

LIMITED OFFICIAL USE SECTION 1 OF 2 BEIRUT 1139

IO/DHP FOR CHESTER NORRIS FROM MCELHINEY

EO 11652: NA
TAGS: UNRWA, LE
SUBJ: UNRWA'S FINANCIAL CONDITION

1. UNRWA COMMISSIONER-GENERAL HAS ASKED US TO PASS THE FOLLOW-
ING MESSAGE TO CHESTER NORRIS, IO/DHP, FOR HIS CONGRESSIONAL
TESTIMONY ON MARCH 3.

2. BEGIN TEXT: "UNRWA'S FINANCIAL SITUATION AS OF MARCH 1 IS
SO CRITICAL THAT COMMISSIONER-GENERAL HAS ALREADY REDUCED FLOUR
RATION FOR 1978 BY ONE-THIRD AND HAS PUT IN NON-APPROVED CATE-
GORY LONG LIST OF BUDGETED EXPENDITURES WHICH WOULD BE REQUIRED
TO KEEP AGENCY PROGRAMS UP TO LEVEL OF PAST YEARS.

3. "UNRWA BUDGETED EXPENDITURES ARE THOSE REQUIRED TO MAINTAIN
HEALTH, EDUCATION AND RELIEF SERVICES TO PALESTINE REFUGEES AT
ESTABLISHED LEVELS, NOT TO INCREASE THEM PER CAPITA. INCREASES IN
BUDGET PRINCIPALLY RESULT FROM INFLATION, STEADILY GROWING
SCHOOL POPULATION AND CONTINUING DEVALUATION OF THE US DOLLAR.
AGENCY COMPLETED COMPREHENSIVE REVIEW OF BUDGET ESTIMATES AND
PLEDGED AND EXPECTED INCOME ON MARCH 1. PRESENT TOTAL ESTIMATED
EXPENDITURES REQUIRED TO MAINTAIN EXISTING LEVEL OF SERVICES--
AS FIRM AS POSSIBLE FOR YEAR GIVEN VARIABLE COMMODITY PRICES
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AND DOLLAR EXCHANGE RATES, AND OTHER FACTORS--IS 139.8 MILLION
DOLLARS. TOTAL PLEDGED AND EXPECTED INCOME IS 113 MILLION
DOLLARS. UNRWA THEREFORE PROJECTS DEFICIT OF 26.8 MILLION
DOLLARS FOR 1978. FOLLOWING ARE EXPENDITURE ITEMS NOT YET
APPROVED, LISTED ROUGHLY IN ORDER IN WHICH THEY WOULD BE
APPROVED IF ADDITIONAL INCOME IS RECEIVED IN SUCCESSIVE MINIMUM
AMOUNTS THAT APPROXIMATELY EQUAL THE INDIVIDUAL EXPENDITURE

ITEMS LISTED (ALL AMOUNTS IN MILLIONS OF DOLLARS):

OPERATION OF FIRST YEAR OF PREPARATORY CYCLE
(JUNIOR HIGH SCHOOL) AFTER JULY (2.5),
OPERATION OF SECOND YEAR OF PREPARATORY CYCLE
AFTER JULY (2.5),
OPERATION OF THIRD YEAR OF PREPARATORY CYCLE
AFTER JULY (2.5),

ONE-HALF OF INCREASE IN LOCAL STAFF REMUNERATION REQUIRED
TO COMPENSATE FOR ANTICIPATED INCREASE IN COST OF LIVING
(2.5) (OTHER HALF PROVISIONALLY APPROVED),

FURTHER REDUCTION IN FLOUR RATION (2.1),

RESTORATION OF PART OR ALL OF FLOUR RATION ALREADY
IMPLEMENTED AS NOTED ABOVE (UP TO 6.2),

VARIOUS CAPITAL IMPROVEMENTS, PARTICULARLY CON-
STRUCTION TO IMPROVE EXISTING SCHOOLS (UP TO 3.0), AND

INCORPORATION OF A REASONABLE PART OF EXISTING COST
OF LIVING ALLOWANCE OF LOCAL STAFF INTO SALARY (UP TO 4.8).

4. "TOTAL OF NON-APPROVED BUDGET ITEMS LISTED ABOVE APPROXIMATES
PRESENTLY ESTIMATED DEFICIT. ORDER OF PRIORITY AGENCY HAS
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ESTABLISHED FOR PROVISIONAL APPROVALS AND NON-APPROVALS OF
BUDGET ITEMS TAKES ACCOUNT OF FACT THAT ALL ESSENTIAL HEALTH
SERVICES MUST BE MAINTAINED TO PREVENT DETERIORATION OF HEALTH
AND OTHERWISE INEVITABLE EPIDEMICS AMONG HUNDREDS OF
THOUSANDS OF REFUGEES AFFECTING NOT ONLY THEM BUT EVENTUALLY
NON-REFUGEE POPULATIONS IN AREA AS WELL. NEXT HIGHEST PRIORITY
IS MAINTENANCE VOCATIONAL AND TEACHER TRAINING AND GENERAL
EDUCATION AS PART OF LONG-TERM EFFORT TO MAKE PRODUCTIVE,
USEFUL, SELF-SUPPORTING MEMBERS OF SOCIETY OF AS MANY
REFUGEES AS POSSIBLE. RELATIVELY LOWER PRIORITY, DESPITE
CRITICAL NEED BY SEVERAL HUNDRED THOUSAND REFUGEES, IS GIVEN
TO RELIEF SERVICES.

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IO/DHP FOR CHESTER NORRIS FROM MCILHINEY

5. "LIST OF BUDGET ITEMS NOT YET APPROVED BECAUSE OF INADEQUATE INCOME ILLUSTRATES IN DRAMATIC TERMS GRAVITY OF UNRWA'S PRESENT FINANCIAL SITUATION. IF NO ADDITIONAL INCOME FOR 1978 IS FORTHCOMING, UNRWA WILL HAVE TO CLOSE ITS PREPARATORY (JUNIOR HIGH) SCHOOLS AND DISCHARGE THOUSANDS OF TEACHERS AT THE END OF JULY, DENY ITS PALESTINIAN STAFF ADEQUATE REMUNERATION TO COMPENSATE FOR INCREASES IN COST OF LIVING, FURTHER REDUCE ALREADY REDUCED FLOUR RATION AND FOREGO OR DEFER CONSTRUCTION OF FACILITIES NEEDED TO PROVIDE SERVICES, PRINCIPALLY SCHOOLS. ADDITIONAL INCOME OF 9.5 MILLION DOLLARS WOULD AT LEAST PERMIT CONTINUED OPERATION OF AGENCY'S PREPARATORY SCHOOLS AND REASONABLE RECOGNITION OF THE EFFECT ON STAFF OF INCREASES IN COST OF LIVING. ADDITIONAL INCOME OF SUBSTANTIALLY MORE THAN 9.5 MILLION DOLLARS WOULD PERMIT UNRWA TO RESTORE OTHER SERVICES BADLY NEEDED BY THE PALESTINE REFUGEES AND WITH 26.8 MILLION DOLLARS IN ADDITIONAL INCOME THE AGENCY COULD COVER ITS ENTIRE BUDGET.

6. "COMMISSIONER-GENERAL AND HIS STAFF ARE NOW AND WILL BE THROUGHOUT 1978 ACTIVELY SOLICITING ADDITIONAL CONTRIBUTIONS FROM PRESENT CONTRIBUTORS FOR THIS YEAR AND A HIGHER LEVEL OF CONTRIBUTIONS FOR 1979 FROM ALL UN MEMBER STATES. SPECIAL EFFORTS ARE BEING MADE TO OBTAIN HIGHER CONTRIBUTIONS FROM LIMITED OFFICIAL USE

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OPEC MEMBERS FOR THIS YEAR AND TO ENCOURAGE NON-CONTRIBUTORS AMONG UN MEMBER STATES TO BEGIN CONTRIBUTING NO LATER THAN 1979.

7. "THERE CAN BE LITTLE DOUBT THAT REDUCTIONS IN LEVELS OF SERVICES TO THOSE ELIGIBLE AMONG THE 1.7 MILLION PALESTINE REFUGEES IN THE NEAR EAST (JORDAN, THE OCCUPIED TERRITORIES OF THE WEST BANK AND GAZA, LEBANON AND SYRIA) WOULD CAUSE HARDSHIP TO THE REFUGEES AND HEIGHTEN INSTABILITY IN THIS SENSITIVE AREA. BOTH HUMANITARIAN AND POLITICAL CONSIDERATIONS

STRONGLY SUGGEST NEED TO MAINTAIN SERVICES AT PREVIOUSLY
ESTABLISHED LEVELS, PARTICULARLY AT THIS JUNCTURE IN NEAR EAST
DEVELOPMENTS.

8. "FOREGOING DOES NOT TAKE INTO ACCOUNT NEED (A) FOR
ADDITIONAL WORKING CAPITAL TO REPLENISH 3.5 MILLION DOLLARS
DRAWN DOWN IN 1977 AND TO BUILD UP TOTAL OVER NEXT FEW
YEARS TO MORE REASONABLE LEVEL, OR (B) FOR APPROXIMATELY
3.5 MILLION DOLLARS STILL LACKING OF THE TOTAL REQUIREMENT OF
APPROXIMATELY 7 MILLION DOLLARS FOR FIRST-STAGE CONSTRUCTION
OF A NEW CAMP IN LEBANON TO HOUSE REFUGEES DISPLACED BY
THE CIVIL WAR. BOTH WORKING CAPITAL AND COST OF NEW CAMP
ARE EXTRA-BUDGETARY." END TEXT.
DECONTROL 3/3/78.
PARKER

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